



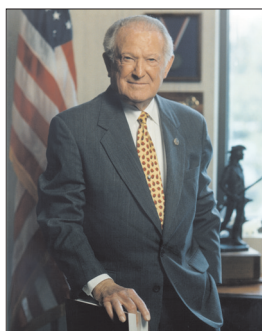
NATIONAL SECURITY REPORT

Background and perspective on important national security and defense policy issues.
Written and produced by House Armed Services Committee Chairman,

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Floyd Spence

February 2000



The Fiscal Year 2001 Defense Budget: *The mismatch between strategy, resources, and forces continues*

The following text is adapted from Chairman Floyd D. Spence's opening statement at a February 9, 2000 House Armed Services Committee hearing with Secretary Cohen and General Shelton.

On February 7, the President delivered his final defense budget request to Congress. The good news is that the President's fiscal year 2001 defense budget proposal is the best one to come out of the Administration in its eight years in office.

Indeed, the request reflects the first significant real spending growth in the defense budget in a decade and, at this preliminary stage, does not appear to be built on a foundation of assumed savings, questionable economic assumptions, and outlay gimmicks like last year's budget request.

In the context of longstanding bipartisan concerns in Congress, Defense Secretary Cohen deserves credit within the Executive Branch for getting the Administration to recognize that quality of life, readiness and modernization shortfalls are real, that they *have* real-world implications, and that increased defense spending *is* necessary.

Unfortunately, the bad news with regard to the President's budget is that serious mismatches between strategy, forces, and resources are not getting any better. The

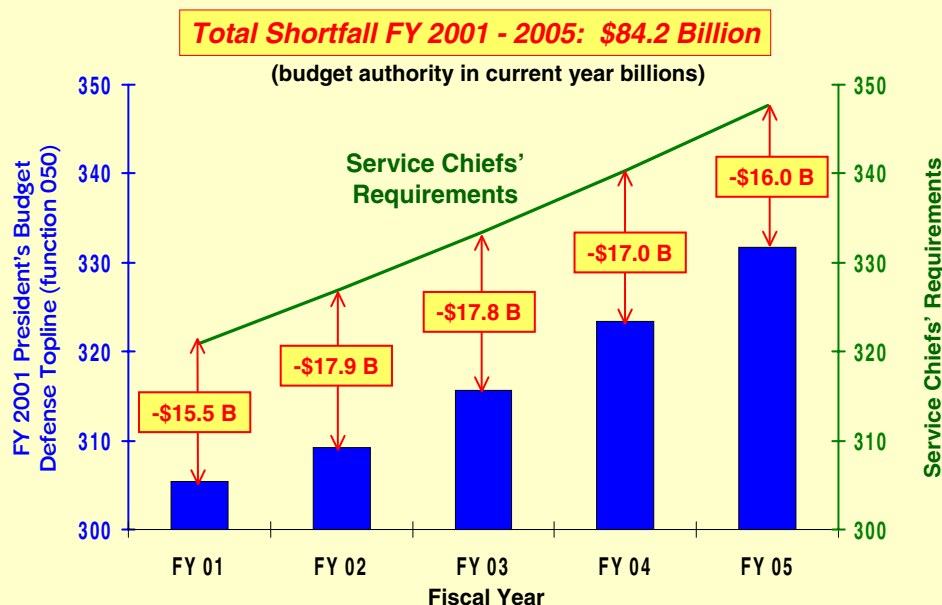
consequent widespread shortfalls have left a legacy of debilitating quality of life, readiness and modernization problems that the military services now confront on a daily basis.

Indeed, it is unfortunate that the Administration waited until its eighth and last budget request to finally propose a budget with real growth in defense spending. Over these past eight years, the Administration's cumulative defense budget requests have fallen more than \$300 billion dollars short of even covering the costs of inflation relative to the fiscal year 1993 defense spending levels it inherited — spending levels that already reflected significant cutbacks resulting from President Bush's post-Cold

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Defense Shortfalls:

The President's budget falls more than \$84 billion short of meeting the Service Chiefs' requirements over the next five years.



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War downsizing of the United States military.

It was not too many years ago that the Administration's defense budget requests were so low that the top-line fell short of keeping pace with inflation even after Congress added more than \$10 billion dollars! And it was not too many years ago that the President consistently threatened to veto these congressional top-line increases, arguing as he did, that it was too much money for defense. It is rewarding to note that Congress and the Pentagon have finally managed to alter the President's perspective on these matters.

Thus, the Administration's fiscal year 2001 defense budget request is certainly better than its predecessors, but this is hardly a useful standard. After years of decline, the Administration has dug such a deep "hole" that it will take a decade or more of real growth in defense spending to climb out of it and to catch up.

One real growth budget proposal, presented during the Administration's last year in office, will not make much of a dent in addressing the long-term systemic problems the services now face. And one real growth budget proposal will certainly not

solve the shortfalls caused by the Administration's continued conduct of an aggressive "Base Force" strategy with a "QDR-sized" force being paid for out of a "Bottom-Up Review" budget.

Whether the services' unfunded requirements are consistent with the approximately \$150 billion identified by the Joint Chiefs more than a year ago, or closer to the \$400-\$500 billion identified by the Center for Strategic and International Studies in their recent *Defense Train Wreck* analysis, it is important to guard against getting bogged down in a debate over specific numbers.

The fundamental point, and one from which to build consensus, is that the nation is going to need to spend a lot more money than the Administration is requesting, and projecting to spend in the future, in order to maintain even current military capabilities. For instance, despite significant congressional increases to the defense budget last year, the service chiefs testified last October to having at least \$9 billion in critical unfunded requirements *this current fiscal year*, excluding the unbudgeted costs of Kosovo operations. Few, if any, of these shortfalls are addressed in the fiscal year 2000 supplemental submitted with the budget request, and there is no end in sight to this level of short-term, operation-

ally-related annual shortfalls in the years ahead.

Whatever the level of annual *operational* shortfalls, annual modernization shortfalls will be significantly greater. In this regard, it is important to note that while the Administration's fiscal year 2001 procurement request has been advertised as finally reaching the five-year old \$60 billion dollar target, it was only with the help of some new accounting such as the inclusion of submarine overhaul funds in the procurement accounts for the first time.

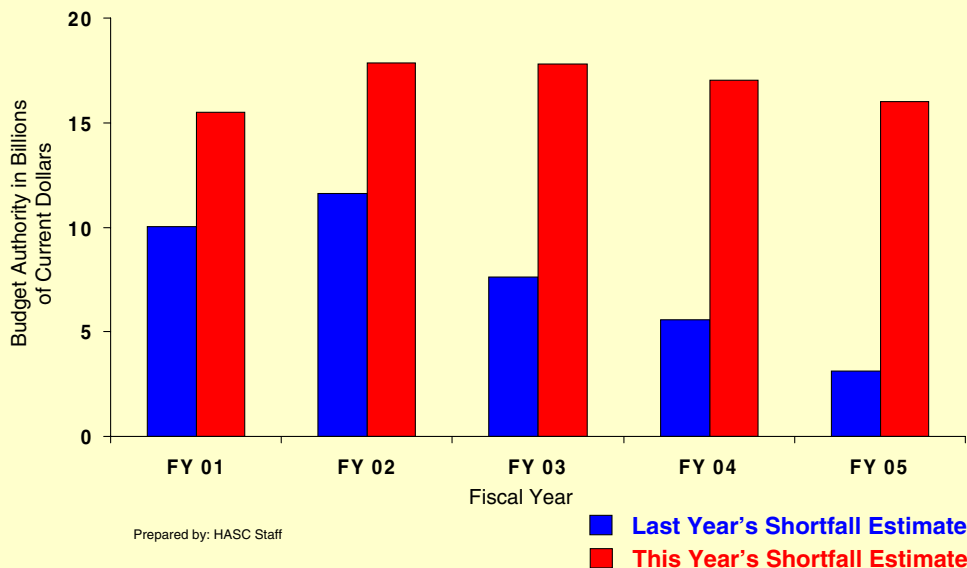
More troubling, perhaps, than the specific modernization figure is the fact that the fiscal year 2001 procurement request reflects at least the sixth consecutive year that acquisition programs have been cut in order to pay shorter-term bills. This year's \$60.3 billion dollar procurement request is \$1.5 billion dollars below what the Administration projected the request would be at this time last year. This is difficult to comprehend in an overall defense budget characterized by spending growth.

There were many who criticized President Reagan's defense build-up of the early 1980s. Yet the very force that resulted from this build-up is the one being worn out as a result of extensive operational deployments and inadequate resourcing. As former Secretary of Defense Schlesinger indicated before the House Armed Services Committee on February 8, the United States military continues to live off and wear out the "capital" of the late Cold War.

Modernizing and maintaining even today's smaller military forces, following on the heels of the past decade of declining budgets, is going to take the kind of sustained commitment and investment in the years ahead that took place in the early 1980s. Some may argue that the nation cannot afford such an investment. What the nation *cannot afford* is another decade, like the last, of declining defense budgets and shrinking military forces if the United States is to remain a superpower able to promote and protect its global interests.

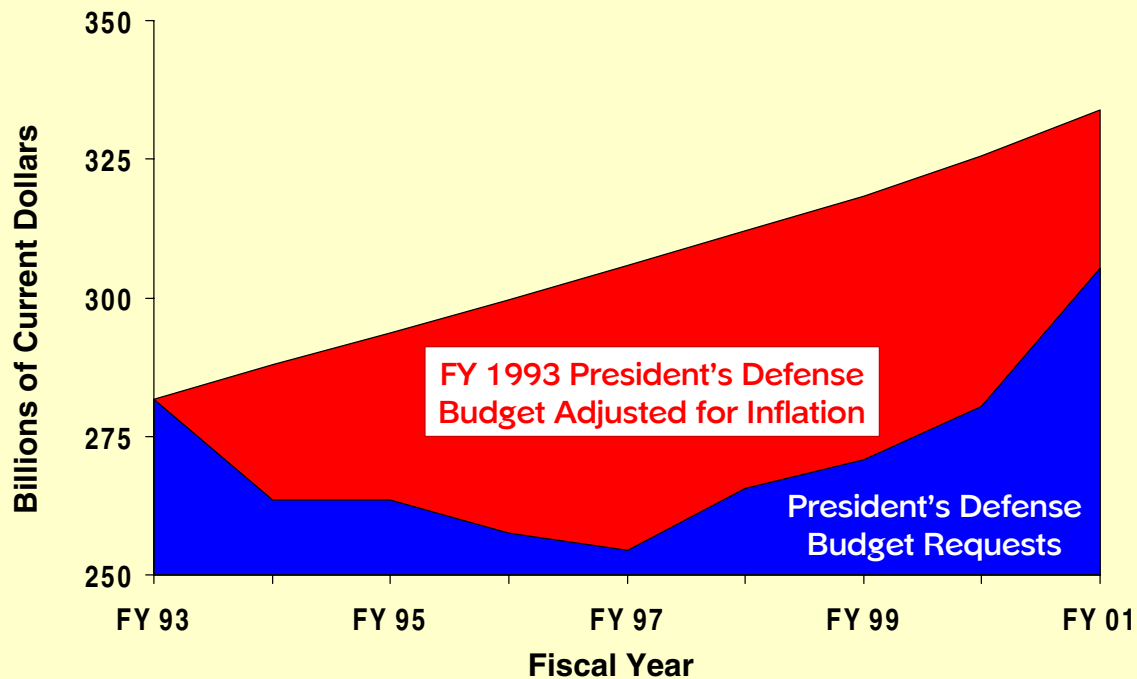
Growing Defense Shortfalls:

The Service Chiefs' five year estimate of shortfalls has grown from \$38 billion to \$84 billion since last year



Defense Budget Erosion:

The President's defense budgets have fallen over \$300 billion short of meeting the costs of inflation



Prepared by: HASC Staff

Underfunding Defense:

Two independent estimates of the annual shortfall in the President's defense budget

Additional funding needed to properly fund the President's defense program



Center for
Strategic & Budgetary
Assessments



Center for Strategic
and International
Studies

Note: Estimates derived from February 2000 CSBA Highlight and "Averting the Defense Train Wreck" (CSIS, 1999)

Prepared by: HASC Staff

Defense Quotables

The Defense Budget: *Shortfalls and risks*

A special **Defense Quotables**
supplement to the National Security Report

Volume 2, Issue 1

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“Because of some of the shortfalls we have, we cannot make the timelines that are specified by command... The second MTW [Major Theater War] is going to be real high risk. What does that risk mean? It means that there’s going to be a real cost to taking on that second MTW.” *Admiral Vernon Clark, Commander in Chief, US Atlantic Fleet, October 4, 1999*

“We can execute a two major theater war scenario. The first MTW would be moderate risk. The second one, risk would be in the high category with risk here measured in the amount of time it would take us to bring that second MTW to conclusion. You measure that risk in national treasure, lives, and expended dollars.” *General Eric Shinseki, Chief of Staff of the Army, February 10, 2000*

“If you have a child, grandchild or possibly even a great-grandchild born after 1990, the first decade of the post-Cold War peace, they are at risk and may pay with their lives the consequences of today’s disinterest in military affairs and neglect of the military.” *Jeffrey Ranney, Center for Strategic and International Studies (CSIS), February 8, 2000*

“While we are trained and ready today, there is still a mismatch between the resources we have and the requirements we may face.” *General Eric Shinseki, Chief of Staff of the Army, October 21, 1999*

“The pigeons will come home to roost in the period from 2010 to 2015. We cannot maintain the present force structure and reequip the forces on the present budget levels or the prospective budget levels.” *James M. Schlesinger, Former Secretary of Defense, February 8, 2000*

“The percentage of our gross domestic product that we currently invest for the national security pillar upon which our superpower status maintains itself is about three percent, roughly three cents on the dollar. Over the last 60 years, the average has been 8 percent. Three cents on the dollar for global responsibilities and global leadership. My opinion is that if we do not sustain this turnaround that we will not sustain our role as a superpower...” *General James Jones, Commandant of the Marine Corps, February 10, 2000*

“... lack of funds will inevitably limit our ability to provide America’s soldiers, Marines, sailors, and airmen with equipment and training they will need to fight future adversaries. The consequence could be more than simply a diminution of U.S. influence abroad. The result of underfunding could well be measured in American lives.” *Jeffrey Ranney, CSIS, February 8, 2000*

“Our nominal objective, our nominal strategy is to be able to fight two MRCs [Major Regional Contingencies] more or less simultaneously. The simple reality today is that we cannot fight two MRCs more or less simultaneously.” *James M. Schlesinger, Former Secretary of Defense, February 8, 2000*

“Procurement proposed to you in this budget is \$60 billion in round figures. My own judgement is it probably needs to be perhaps \$70 to \$80 billion...” *William Perry, Former Secretary of Defense, February 8, 2000*